

Message Text

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ACTION OES-06

INFO OCT-01 EUR-12 ISO-00 ERDA-05 ACDA-07 XMB-02 CIAE-00
INR-07 IO-13 L-03 NSAE-00 NSC-05 EB-07 NRC-05 FEAE-00
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TO SECSTATE WASHDC IMMEDIATE 8320
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C O N F I D E N T I A L MADRID 9444

E.O. 11652: GDS
TAGS: PFOR, ENRG, SP
SUBJECT: US-SPANISH NUCLEAR COOPERATION

REF: MADRID 9027

1. EMBOFF AGAIN DISCUSSED EXTENSION OF SAFEGUARDS TO
FUELS IRRADIATED IN US SUPPLIED REACTORS WITH VELO
AT FONMIN. VELO SAID HE WAS WAITING RETURN OF GEN.
OLIVARES, PRESIDENT OF JUNTA DE ENERGIA NUCLEAR (JEN),
FROM TRIP TO FAR EAST TO DECIDE SPANISH APPROACH TO
THIS SUBJECT. VELO SAID FONMIN WANTS TO HANDLE
EXTENSION THROUGH A PROTOCOL TO THE BILATERAL NUCLEAR
COOPERATION AGREEMENT, BUT MUST CLEAR THIS WITH OLIVARES.

2. EMBOFF SAID HE UNDERSTOOD DR. FRANCISCO PASCUAL,
DIRECTOR GENERAL OF JEN, HAD DISCUSSED ANOTHER METHOD
TO TAKE CARE OF THE MATTER WITH DEP. ASSISTANT SECRETARY
KRATZNER IN WASHINGTON, VELO SAID HE HAD DISCUSSED
PROPOSAL WITH PASCUAL BUT FON MIN STILL BELIEVES MATTER
MUST BE DEALT WITH THROUGH PROTOCOL.

3. VELO REITERATED PROBLEMS WITH EXCHANGE OF NOTES
SOLUTION; THIS IS AN AGREEMENT AND THUS NEEDS A MORE
FORMAL AMENDING PROCEDURE, AND EXTENSION OF SAFEGUARDS
COULD BE PREJUDICIAL TO ECONOMIC INTERESTS OF PRIVATE
NUCLEAR REACTORS. HE SAID THAT SPAIN WOULD EXPECT
THE PROTOCOL TO INCLUDE PROTECTION FOR PRIVATE
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ECONOMIC INTERESTS. IN OTHER WORDS SPAIN IS READY

TO EXTEND THE SAFEGUARDS BUT EXPECTS THE US TO ACCEPT RESPONSIBILITY FOR ANY FINANCIAL LOSSES INCURRED BY PRIVATE FIRMS DUE TO EXTENSIVE DELAY IN OBTAINING US PERMISSION TO REPROCESS FUELS IRRADIATED IN US SUPPLIED REACTORS.

4. EMBOFF ASKED IF THESE FIRMS ARE NOT ALREADY RUNNING FINANCIAL RISK IN SEEKING APPROVAL TO REPROCESS US SUPPLIED ENRICHED URANIUM. VELO SAID THERE HAD BEEN ONE CASE INVOLVING REPROCESSING OF SPENT FUEL IN FRANCE WHICH RESULTED IN CONSIDERABLE FINANCIAL LOSS FOR THE OWNER; HOWEVER, HE ADDED, THIS DID NOT APPEAR TO BE A GENERAL PROBLEM YET. THE FON MIN WOULD WANT TO SEEK SOME FORMULATION OF THE PROTOCOL THAT WOULD ALSO GUARD AGAINST THIS PROBLEM.

5. VELO SAID THE PROTOCOL IS ALSO BETTER SINCE CHANGES IN THE BILATERAL AGREEMENT WOULD AFFECT THE TRILATERAL SAFEGUARDS AGREEMENT BETWEEN SPAIN, THE US AND THE IAEA. HE WAS NOT SURE THOUGH OF THE EXACT EFFECT NOR WHETHER THE TRILATERAL TREATY WOULD HAVE TO BE ALTERED.

6. EMBOFF REMINDED VELO OF THE IMMEDIATE PROBLEM OF PENDING LICENSES FOR FUEL TRANSFERS AND NEW REACTOR CONSTRUCTION. VELO SUGGESTED THAT EMBASSY REPRESENTATIVES MEET WITH FONMIN AND JEN TEAM ON TUESDAY, DEC. 21 TO DRAW UP SUITABLE PROTOCOL. EMBOFF SAID HE WOULD CALL FRIDAY DEC. 17 TO CONFIRM THE MEETING.

7. COMMENT. FON MIN POSITION AT THIS POINT MAKES AD HOC ARRANGEMENT OR EXCHANGE OF NOTES UNWORKABLE, UNLESS OLIVARES WHEN HE RETURNS INSISTS ON ONE OF THESE FORMULAS. GOS IS OBVIOUSLY PREPARED TO MOVE FORWARD EXPEDITIOUSLY ON PROTOCOL. EMBASSY WOULD APPRECIATE DEPARTMENT'S IDEAS ON WORDING OF PROTOCOL. POSSIBLY THE SUGGESTED NOTE COULD BE THE BASIS. WE ALSO NEED INSTRUCTION ON WHAT GUARANTEES, IF ANY, THE USG CAN GIVE AGAINST ECONOMIC LOSSES DUE TO DELAYS IN OBTAINING US PERMISSION FOR REPROCESSING. STABLER
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